
Board Action Bulletin



Prepared by the Office of External Affairs

NCUA BOARD MEETING RESULTS FOR DECEMBER 16, 2004

NCUSIF retains 1.3 percent normal operating level

To maintain the stability of the National Credit Union Share Insurance Fund (NCUSIF) and ensure the long-term viability of credit unions, the NCUA Board voted to retain in 2005 the Fund's 1.3 percent normal operating level originally set by the Board in 2000.

The 1998 Credit Union Membership Access Act mandates the NCUA Board set the "normal" NCUSIF equity operating level between 1.2 and 1.5 percent. The normal operating level is the ratio of fund equity less unreserved contingent liabilities divided by total insured shares.

In October 1999, the NCUA Board decided the normal operating level would be established annually and from 2000 through 2005 the Board has approved a 1.3 percent operating level. The actual Fund equity ratio is expected to be 1.26 percent at year-end 2004. By March 2005, it is anticipated the equity ratio will increase to 1.28 percent with credit unions' one percent deposit adjustment and 6 percent share growth projected for 2004.

NCUSIF Reserves

The NCUSIF began 2004 with approximately \$79 million in reserves. With \$12.3 million added during the year, the reserve balance was \$85.9 million November 30, 2004.

The methodology used in the reserve assessment is reviewed annually. Based on a Government Accountability Office recommendation, a more comprehensive method of reserve analysis was completed during the year. The results of the analysis indicated that the Fund is currently "over reserved" by approximately \$12 million. An adjustment to the reserve balance will be made in December 2004.

Federally insured credit unions are experiencing an extended period of minimal losses, and entering 2005 credit unions' well-capitalized position continues to ensure a strong, healthy insurance fund.

Missouri MBL rule amendment approved

The NCUA Board approved a revised **Missouri** member business loan (MBL) rule that reflects recent changes to Part 723, NCUA's lending regulation. The proposed changes vary somewhat from the NCUA rule regarding the definition of the aggregate MBL limit and the waiver process. However, the Missouri rule is more conservative in some areas and now

includes a previously lacking waiver process. The Missouri rule minimizes risk and accomplishes the overall objectives of the NCUA regulation.

Texas MBL rule amendment approved

The NCUA Board also approved proposed revisions to the **Texas** MBL rule. While Texas' MBL rule varies somewhat from NCUA's rule, Texas' MBL rule accomplishes the overall intent of Part 723 and in some cases is more restrictive than NCUA's MBL regulation. The differences between NCUA's rule and the Texas MBL rule primarily centers on the calculation of the aggregate limit, loan policy requirements and the waiver process. The Texas MBL rule's addition of a waiver process is a positive addition to the rule. Without being identical, the Texas MBL rule minimizes risk and accomplishes the overall objective of NCUA's regulation.

Board votes are unanimous unless indicated.